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MONEY MEETINGS IN MANILA: IMF WORLD BANK

ANNCR:

FINANCE EXPERTS FROM AROUND THE WORLD ARE ON THEIR WAY TO MANILA FOR THE ANNUAL MEETINGS OF THE INTERNATIONAL MONETARY FUND AND WORLD BANK WHICH OPEN OCTOBER 4, AND VOA NEWS ANALYST WILLIAM LEAVITT HAS THESE THOUGHTS ON WHAT'S LIKELY TO BE DISCUSSED.

VOICE:

AS ONE TOP-LEVEL U-S TREASURY OFFICIAL SUGGESTS, THE MANILA MEETINGS MAY NOT PRODUCE EXPECIALLY EXCITING HEADLINES. THAT'S BECAUSE THE MAIN ELEMENTS FOR THE DESIGN OF A REFORMED WORLD MONETARY SYSTEM HAVE ALREADY BEEN AGREED ON -- PARTICULARLY THE ACCEPTANCE OF FLOATING CURRENCY EXCHANGE RATES. THE FLOATING SYSTEM MEANS LETTING NATIONAL CURRENCIES FIND THEIR VALUE WITH RESPECT TO EACH OTHER IN ACCORDANCE WITH MARKET FORCES, RATHER THAN ON THE BASIS OF FIXED RATES OF EXCHANGE. AS EVERYONE WHO FOLLOWS THESE ARCANE MATTERS KNOWS, THE OLD SYSTEM OF FIXED RATES OF EXCHANGE SIMPLY STOPPED BEING WORKABLE IN TODAY'S FAST-MOVING AND VOLATILE WORLD ECONOMY.

BUT AS THE EXPERTS POINT OUT, DESIGNING A NEW SYSTEM AND MAKING IT WORK ARE TWO DIFFERENT THINGS. SO, CERTAINLY, IN THE AMERICAN VIEW, THERE IS PLENTY TO TALK ABOUT IN MANILA.

IN ORDER TO MAKE THE NOW-AGREED-UPON FLOATING CURRENCY EXCHANGE RATE SYSTEM WORK, AND IN ORDER TO ELIMINATE, OVER TIME, THE SHARP IMBALANCES BETWEEN EXPORT INCOME AND IMPORT COSTS THAT AFFLICT SO MANY NATIONS, TWO PROCESSES HAVE TO SUCCEED.

ONE IS CALLED SURVEILLANCE AND THE OTHER IS REFERRED TO AS ADJUSTMENT.

SURVEILLANCE MEANS THAT THE I-M-F MUST HAVE THE ABILITY -- UNDER A SYSTEM OF GUIDELINES THAT EVERYONE WOULD ACCEPT -- TO MAKE SURE THAT NO MEMBER COUNTRY ARTIFICALLY MANIPULATES THE VALUE OF ITS CURRENCY IN ORDER TO GAIN ADVANTAGES IN TRADE. BASICALLY, MANIPULATION INVOLVES MAKING YOUR MONEY CHEAPER IN ORDER TO MAKE YOUR EXPORT PRICES MORE ATTRACTIVE. THE AMERICAN VIEW IS THAT THE MOST RELIABLE SURVEILLANCE OPERATION IN THE I-M-F WOULD BE ON A COUNTRY-BY-COUNTRY, CASE-BY-CASE BASIS. THIS IS SEEN AS BETTER THAN TRYING TO DEVISE COMPLICATED ALL-PURPOSE MATHEMATICAL FORMULAS THAT WOULD HAVE NOTHING TO DO WITH THE REAL SITUATION IN THE COUNTRY BEING ANALYZED.

ADJUSTMENT IS AN EVEN MORE COMPLICATED BUSINESS. IDEALLY, A PROPERLY BALANCED WORLD ECONOMY WOULD HAVE MOST COUNTRIES EARNING, AND SPENDING, ABOUT THE SAME INCOME AND OUTLAYS, THAT IS, IN TERMS OF THEIR EXPORTS AND IMPORTS. BUT TO REACH THAT GOAL, MANY COUNTRIES WOULD HAVE TO MAKE CHANGES IN THEIR INTERNAL ECONOMIC STRUCTURES -- CHANGES THAT CAN BE AS PAINFUL AS THEY ARE NECESSARY.

IN A WORD: STABILIZATION. THE WORLD ECONOMY HAS GONE THROUGH TRAUMATIC TIMES DURING THE PAST FEW YEARS...ROCKETING OIL PRICES, VAST SHIFTS OF CASH TO THE OIL-EXPORTING COUNTRIES, AND HUGE DEBTS PILING UP AMONG THE POOR-COUNTRY BUYERS.

MUCH OF THAT DEBT HAS BEEN FINANCED BY THE I-M-F. BUT LOGIC AND REALISM MAKE IT CLEAR THAT, WHILE FINANCING HUGE DEFICITS BUYS TIME, IT PROVIDES NO SOLUTION.

SO WHATEVER THE EXPERTS IN MANILA CAN ACHIEVE BY WAY OF RESTORING BALANCE AND A CLIMATE OF HEALTHY GROWTH TO A BUFFETED WORLD ECONOMY WILL BE MORE THAN USEFUL.

GH/RCS